

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 OPIC-03 SP-02 SS-15 CIAE-00

INR-07 NSAE-00 AID-05 TRSE-00 PA-01 PRS-01 USIA-06

H-02 L-03 OFA-01 IO-10 /074 W
----- 130527

R 221317Z DEC 75

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC 7661

INFO USDOC WASHDC

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E.O. 11652: N/A

TAGS: ECON, EINV, BF

SUBJ: GCOB PROPOSALS ON FOREIGN INVESTMENT

REF: (A) NASSAU 1855; (B) NASSAU 1908

1. EMBASSY OFFICERS HAVE SYSTEMATICALLY CONTACTED INDIVIDUALS IN VARIOUS SECTORS OF THE ECONOMY, PRIVATE AND GOVERNMENT, TO ASSESS THE REACTION TO THE WORKING COMMITTEE REPORTS OF THE PLP CONVENTION AS REPORTED IN REFTEL (A). MANY OF THE PRIVATE INDIVIDUALS CONTACTED - BOTH AMERICAN AND BAHAMIAN (INCLUDING LEADER OF OPPOSITION SEE REFTEL (B)) WERE DEEPLY CONCERNED WITH WHAT THEY CONSIDER NATIONALISTIC ATTITUDES EXPRESSED AT THE CONVENTION AND SEE THE PROPOSALS AS A DEFINITE THREAT TO INVESTOR CONFIDENCE. OTHERS, HOWEVER, VIEW THE PROPOSALS AS PURE POLITICS WITH NO SUBSTANCE BEHIND THEM. GOVERNMENT OFFICIALS CONTACTED ALMOST UNANIMOUSLY HELD THIS LATTER VIEW.

2. ONE HIGH-RANKING GOVERNMENT OFFICIAL (GOVERNOR OF THE CENTRAL BANK) AND A MIDDLE ECHELON OFFICIAL (GEORGE COLLYMORE, CORPORATE SECRETARY OF BAHAMAS DEVELOPMENT CORP.) CATEGORICALLY STATED THAT THE PROPOSALS ARE NOT A THREAT TO FOREIGN INVESTMENT. COLLYMORE INSISTED THAT THE PROPOSALS WERE POORLY PRESENTED

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AT THE PLP CONVENTION AS THEIR REAL PURPOSE IS ONLY TO ASSIST

GRASS ROOT LEVEL BAHAMIAN BUSINESS. THE NECESSARY CAPITAL WOULD BE FORMED THROUGH LOANS FROM THE CARIBBEAN DEVELOPMENT BANK AND THE SOON TO BE INITIATED BAHAMAS DEVELOPMENT BANK. HE SAID THAT FOREIGN INVESTORS WHO CURRENTLY OWN BUSINESSES APPEARING ON THE TWO LISTS WOULD NOT BE REQUIRED TO SELL TO BAHAMIANS. EMBASSY ECON OFFICER TOLD HIM THAT WAS CERTAINLY NOT THE WAY THE PROPOSALS WERE REPORTED IN THE PRESS WHICH SPECIFICALLY SAID THERE WERE CATEGORIES OF BUSINESSES WHICH MUST IN FIVE OR TEN YEARS RESPECTIVELY BECOME TOTALLY OR MAJORITY BAHAMIAN OWNED. EMBASSY OFFICERS ALSO TOLD VARIOUS GOVERNMENT OFFICIALS THAT WE HAVE RECEIVED NERVOUS INQUIRIES FROM AMERICANS WHOSE BUSINESSES FALL IN ONE OF THE TWO CATEGORIES AS WELL AS FROM PEOPLE WHO FOLLOW THE BAHAMIAN SCENE CLOSELY. SEVERAL OFFICIALS REACTED IMMEDIATELY WITH CONCERN AND PASSED THE WORD TO THEIR SUPERIORS, (I.E., MINISTER OF DEVELOPMENT AND PRIME MINISTER). A HIGH LEVEL GOVT. SEMINAR IS NOW PLANNED FOR MID-JANUARY UNDER THE AUSPICES OF THE ECONOMIC PLANNING UNIT FOR THE PURPOSE OF CLARIFYING GOVERNMENT'S POLICY ON FOREIGN INVESTMENT. VARIOUS MINISTRIES (PERMANENT SECRETARY LEVEL) WILL PRESENT PAPERS FOR DISCUSSIONS.

3. THE PRIME MINISTER ON NOVEMBER'S RADIO PROGRAM QUOTE CONTACT UNQUOTE SAID THAT WHILE THE PROPOSALS WOULD BE DISCUSSED WITH THE PEOPLE THE INTENTION WAS TO MAKE THEM LAW AS SOON AS POSSIBLE. HE ALSO STATED THAT THERE WAS NO CONFLICT BETWEEN THE GOVERNMENT'S REPEATEDLY STATED GOAL OF ATTRACTING FOREIGN INVESTMENT AND THE WORKING COMMITTEE REPORT ON DEVELOPMENT. HOWEVER, THE PRIME MINISTER BACKTRACKED FROM THIS POSITION ON DECEMBER'S QUOTE CONTACT UNQUOTE WHEN HE SAID THAT THE PROPOSALS WOULD NOT BE CARRIED OUT BY EDICT BUT RATHER THROUGH VARIOUS ADMINISTRATIVE TOOLS OVER A PERIOD OF TIME. FOR EXAMPLE, IF A FOREIGN INVESTOR APPLIED FOR A LICENSE TO SELL SHOES IT WOULD BE DENIED WHILE A LICENSE TO MANUFACTURE SHOES WOULD BE GRANTED. HE ALSO STATED CATEGORICALLY THAT NO ONE WOULD BE FORCED TO SELL TO BAHAMIANS. HE SAID, HOWEVER, THAT IT IS THE INTENTION OF THE GOVERNMENT TO DISCOURAGE NEW FOREIGN INVESTMENT IN THE SMALL RETAIL AND DISTRIBUTIVE TRADES LISTED IN THE CONVENTION REPORT.

4. EMBASSY COMMENT: THE PRIME MINISTER'S LATEST COMMENTS ON LIMITED OFFICIAL USE

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FOREIGN INVESTMENT WHICH PRESENT THE PLP PURPOSE AS ONE OF SIMPLY ENCOURAGING BAHAMIAN ENTREPRENEURSHIP IN SMALL BUSINESS WITH NO THREAT TO EXISTING FOREIGN BUSINESS IN THOSE AREAS IS A BIG STEP BACKWARD FROM THE AGGRESSIVE POSITION ESPOUSED AT THE CONVENTION. THIS MAY HAVE BEEN DONE BECAUSE OF THE REACTION WHICH FOLLOWED THE CONVENTION, ALTHOUGH AS REPORTED ABOVE MIDDLE ECHELON OFFICIALS BELIEVED THIS WAS THE INTENT OF THE PROPOSALS ALL ALONG.

5. THE PRIME MINISTER'S REFINEMENTS OF THE GCOB'S INTENT VIS-A-VIS FOREIGN INVESTMENT SHOULD HELP TO EASE LOCAL NERVOUSNESS SOMEWHAT. SUSPICION WILL REMAIN, HOWEVER, THAT UNOFFICIAL MEANS WILL BE USED TO FORCE FOREIGNERS OUT IF A BAHAMIAN WANTS TO BUY I.E. WORK PERMIT HASSLES, PRESSURE FROM MEMBERS OF GOVERNMENT ETC. ONE AMERICAN BUSINESSMAN HAS ALREADY BEEN APPROACHED IN SUCH A WAY (QUOTE SELL NOW WHILE YOUR BUSINESS IS STILL WORTH SOMETHING UNQUOTE). THERE HAVE BEEN RUMORS OF THIS KIND OF PRESSURE FOR SOME TIME BUT THE EMBASSY NOR ANYONE ELSE CAN PROVE THAT IT IS EITHER WIDESPREAD OR DONE WITH OFFICIAL SANCTION.

6. IN SPITE OF THE PRIME MINISTER'S STATEMENT IN HIS KEYNOTE ADDRESS AT THE CONVENTION - THAT A POLICY OF ECONOMIC DEVELOPMENT HITCHED TO THE QUOTE HIGH FLYING KITE OF THE FOREIGN INVESTOR UNQUOTE WOULD QUOTE DOOM UNQUOTE THE BAHAMAS, THERE CAN BE NO DOUBT THAT THE GOVERNMENT IS AWARE OF THE IMPORTANCE OF FOREIGN INVESTMENT AND TOURISM TO THE HEALTH OF THE ECONOMY. AT A CABINET MEETING HELD SHORTLY AFTER THE CONVENTION THE MINISTRY OF TOURISM PRESENTED A PAPER EXPRESSING ITS CONCERN OVER THE FUTURE OF THE TOURIST INDUSTRY AND MAKING RECOMMENATIONS TO DEVELOP AND STRENGTHEN THE INDUSTRY. IT SPECIFICALLY REQUESTED THE REAFFIRMATION OF GOVERNMENT'S COMMITMENT TO TOURISM AS THE COUNTRY'S NUMBER ONE PRIORITY AND THE COOPERATION OF ALL GOVERNMENT AGENCIES TO THAT END. IT IS NOT INSIGNIFICANT THAT THE MINISTRY RECEIVED WHAT IT ASKED FOR (TO BE REPORTED BY AIRGRAM). THE PRIME MINISTER HAS ALSO MADE A POINT ON VARIOUS OCCASIONS OF NOTING THE GOVERNMENT'S ENCOURAGEMENT OF FOREIGN INVESTMENT IN AREAS WHICH WOULD NOT COMPETE WITH SMALL BAHAMIAN BUSINESS.

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H-02 L-03 OFA-01 IO-10 /074 W

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7. WHILE THE GOVERNMENT'S PURPOSE AS MOST RECENTLY STATED BY THE PRIME MINISTER IS CERTAINLY A LEGITIMATE ONE WITH WHICH FEW WOULD TAKE ISSUE, THE PROBLEM IS ONE OF PERCEPTIONS AND SEMANTICS. INDEED THE IMMIGRATION POLICY ESPOUSED IN THE FAMOUS QUOTE BEND OR BREAK UNQUOTE SPEECH IF EXAMINED RATIONALLY, WAS ALSO A LEGITIMATE AND MUCH NEEDED ONE. TO SAY THE WAY IT WAS PRESENTED WAS UNFORTUNATE WOULD BE A GIANT UNDERSTATEMENT.

8. PINDLING WOULD LIKE TO DISMISS CURRENT CRITICISM AND ANXIETY AS BEING EXPRESSED BY THE SAME PEOPLE WHO WERE FRIGHTENED OFF BY INDEPENDENCE. THE EMBASSY BELIEVES, HOWEVER, THAT HIS QUICK REVERSAL OF HIS STATEMENT THAT THE PROPOSALS WERE INTENDED FOR LEGISLATIVE ACTION AND ON THEIR APPLICABILITY TO FOREIGN BUSINESS ALREADY ESTABLISHED IN THE TWO CATEGORIES, INDICATES THAT THE GOVERNMENT IS BECOMING MORE SENSITIVE TO THE IMPACT OF WORDS ON FOREIGN INVESTMENT CONFIDENCE.

9. THERE IS STILL, HOWEVER, AN INABILITY WITHIN THE GOVERNMENT TO RECOGNIZE THE INTER-RELATEDNESS OF GOVERNMENT ACTIONS IN ONE SPHERE ON OTHER SPHERES OF THE ECONOMY. FOR EXAMPLE, THE IMPACT OF THE GCOB'S REFUSAL TO ALLOW FLORIDA FISHERMEN TO FISH LOBSTER ON THE BAHAMA BANKS ON THE BAHAMIAN IMAGE AS A FRIENDLY PLACE TO GO ON HOLIDAY. THE BAHAMAS HAS JUST EXPERIENCED THE IMPACT IN REVERSE WITH THEIR U.N. VOTE ON THE LIMITED OFFICIAL USE

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ZIONIST RESOLUTION GIVING THEM A NEW POSITIVE STATUS WITH MANY TRAVEL AGENTS.

10. THE EMBASSY BELIEVES THAT THE INTENT OF THE GCOB IN THE ECONOMIC-DEVELOPMENT SPHERE IS STILL TO ENCOURAGE MIDDLE-TO-LARGE FOREIGN INVESTMENT. THAT THE GCOB IN SPITE OF ITS TALK OF SELF RELIANCE AND ECONOMIC DIVERSIFICATION IS FULLY AWARE OF ITS CURRENT AND CONTINUING DEPENDENCE ON TOURISM AND IS COMMITTED TO ITS FURTHER DEVELOPMENT. THE GOVERNMENT AND ESPECIALLY THE PRIME MINISTER MUST RECOGNIZE, HOWEVER, THAT IN AN OPEN ECONOMY SUCH AS THEIRS WHICH IS ALREADY HEAVILY RELIANT ON THE WHIMS AND ECONOMICS OF PEOPLE AND POLICY NOT UNDER THEIR DIRECT CONTROL THAT THEY CAN LITTLE AFFORD THE LUXURY OF PLAYING POLITICS - EVEN IF IT IS ONLY WORD PLAY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN POLICY POSITION, PROPOSALS (BID), FOREIGN INVESTMENTS, PUBLIC ADMINISTRATION
Control Number: n/a
Copy: SINGLE
Draft Date: 22 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: johnsorg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NASSAU02143
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750444-0928
From: NASSAU
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751219/aaaaaqjz.tel
Line Count: 220
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 NASSAU 1855, 76 NASSAU 1908
Review Action: RELEASED, APPROVED
Review Authority: johnsorg
Review Comment: n/a
Review Content Flags:
Review Date: 05 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 SEP 2003 by ElyME>; APPROVED <18 DEC 2003 by johnsorg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GCOB PROPOSALS ON FOREIGN INVESTMENT
TAGS: ECON, EINV, BF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006